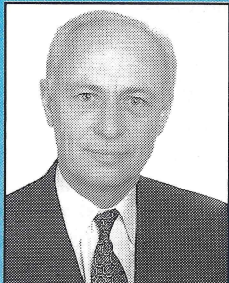


EBRD TAKES ON UKRAINE



Monitor Editors met with newly-appointed EBRD Resident Representative for Ukraine in Kyiv, well-known Canadian businessman Jaroslav Kinach. Mr. Kinach outlined the plans and priorities of the bank for our readers.

European Bank
for Reconstruction and Development



Jaroslav B. Kinach was appointed Senior Banker and Resident Representative, Ukraine for the European Bank for Reconstruction and Development (EBRD) in January, 1995, succeeding Nestor Gayowsky, also a Canadian, who had been in the position since early 1993.

Prior to his appointment, Mr. Kinach founded Veles Consulting Corporation in Toronto in 1992, a privately owned partnership specializing in financial engineering, international finance and business development. The company's focus of operations in Ukraine, and clients include major Canadian and American companies, as well as the Canadian government. Between 1979 and 1981 he was the president of the Toronto branch of the Ukrainian Canadian Professional and Business Association. In 1993, he co-founded the Canada Ukraine Chamber of Commerce.

From 1971-1991, Mr. Kinach pursued a career with the Toronto Dominion Bank, where he served in a number of increasingly senior positions, including President of their \$350 million leasing subsidiary, Toronto Dominion Leasing. He has extensive experience in trade finance, corporate and investment banking, including mergers, acquisitions and divestitures, as well as international banking. He has worked with major Canadian companies, international banks, multilateral institutions and export credit agencies, and has successfully arranged syndicated complex project financing using private and public debt markets.

J.B. Kinach was born in Austria and raised in Montreal. He graduated with a B.A. (Economics) in 1967 from Concordia University in Montreal, and received his MBA from Columbia University in 1969.

Commenting on his position with EBRD during the interview, Mr. Kinach reflected, "The responsibilities of this position are incredibly wide and varied. Not only am I a financier, but I am also an advisor, a diplomat, a lobbyist -- and even a fixer. Now that's a job description for you!"

- *Could you give us a brief history of the EBRD?*

The European Bank for Reconstruction and Development was created in 1991 after the break up of the USSR to foster the transition towards open-market oriented economies, and to promote private and entrepreneurial initiative in Central and Eastern Europe. The Bank's shareholders are not only the major countries of the western world, but also the member countries where it operates. Altogether we have 59 shareholders, the largest being the United States, and including the major industrial powers, the European Economic Commission, and all the countries where EBRD operates, including Ukraine, Russian, Poland, etc.

At the beginning, the Bank's orientation was not very clear cut. There was a dichotomy within the institution as to truly what its mandate and direction would be - a development bank or a merchant bank. Since the appointment of the new president at the Bank, Jacques Delarosiere, the Bank has a new orientation and a more dynamic orientation and mandate. Today, the EBRD is basically a commercially-oriented investment bank that finances essentially the private sector in the countries of operation.

Ukraine was slow to implement a reform program, and only came on board with EBRD about a year after it was established. Our focus of activities in Ukraine is on privatized companies and structures. As well, on occasion, we finance projects in the public sector; but these projects have to have a commercial payback. In other words, there has to be some commercial benefit to the private sector if we are going to be involved in these finances. Therefore our focus is essentially on the private sector development because without private sector development, we are not convinced that either Ukraine or any other country of the former Soviet Union or Eastern Europe would flourish economically.

- *What are some of the priorities of EBRD in Ukraine?*

One of our priority areas is the development of the **banking and financial services** sector. Unfortunately, Ukraine has little previous experience because back in the days of the USSR, Moscow was the center of the financial empire. Today there are over

200 banks in Ukraine, much too many, and most of them do not function properly. They are not regulated properly, have no guarantees and no controls, and are not trusted by the population. To top everything off, in the current situation when money is literally not worth the paper it is printed on, there is no logic in trying to save.

At this point in time Ukraine, more so than any other country of the former Soviet Union, does not have a significant number of foreign banking or financial institutions. We are encouraging other institutions to come into this marketplace to develop a market for their services and products, but also so that they can help us finance private sector development. As big as our institution is, we, ourselves, cannot accomplish that alone. We really are a small player in a potentially very large and lucrative market.

The difficulty that we face is that a lot of financial institutions in the West still look at Ukraine as a high risk country of operation. But increasingly we are convincing them that it is not a worse risk than Ukraine's neighbour to the north. And certainly if they participate in the financing with the EBRD they gain a certain degree of confidence and comfort by virtue of the fact of our special relationship with the Ukrainian government. As an international institution, we have a unique relationship that gives us certain preferential access to the government's resources, and the government wants to maintain this special relationship because of our activities in helping this country's development.

- *Could you name some of the specific projects that have been considered since the time you have been here?*

In the first two years of the Bank's existence in Ukraine, the Bank may have essentially assigned 4 or 5 deals with a total value of about \$60-70 million US. In the last 12 months, and more particularly in the last 7-8 months, the Bank assigned close to another \$90 million, roughly twice as many deals with twice the value of its first 2 years of operations in Ukraine.

In the last 2 months we have signed deals worth about \$30-40 million. And in our project *pipeline, we have deals with a value of about \$4-500 million, representing about 12 deals. Both the magnitude of our deals has increased phenomenally, and the number of deals has expanded substantially. We are now working on transactions in the **energy**